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EDITED TRANSCRIPT

PRVA - Q2 2025 Privia Health Group Inc Earnings Call

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. My name is Desiree, and I will be your conference operator today. At this time, I would like to welcome everyone to the Privia Health second quarter 2025 conference call. (Operator Instructions)

I would now like to turn the conference over to Robert Borchert, as VP of Investor and Corporate Communications. You may begin.

Robert Borchert - *Privia Health Group Inc - Senior Vice President of Investor and Corporate Communications*

Thank you, Desiree. And good morning everyone. Joining me are Parth Mehrotra, our Chief Executive Officer; and David Mountcastle, our Chief Financial Officer. This call is being webcast and can be accessed in the Investor Relations section of priviahealth.com along with today's financial press release and slide presentation.

Following our prepared comments, we will open the line for questions. Please limit yourself to one question only, and return to the queue if you have a follow up, so we can get to as many questions as possible. The financial results reported today are preliminary and are not final until our Form 10-Q for the second quarter and six-month periods ended June 30, 2025 is filed with the Securities and Exchange Commission.

Some of the statements we will make today are forward-looking in nature based on our current expectations and view of our business as of August 7, 2025. Such statements, including those related to our future financial and operating performance and future business plans and objectives, are subject to risks and uncertainties that may cause actual results to differ materially.

As a result, these statements should be considered along with the cautionary statements in today's press release and the risk factors described in our company's most recent SEC filings. Finally, we may refer to certain non-GAAP financial measures on the call. Reconciliation of these measures to comparable GAAP measures are included in our press release and the accompanying slide presentation posted on our website.

Now, I'd like to hand the call over to our CEO, Parth Mehrotra.

Parth Mehrotra - *Privia Health Group Inc - Chief Executive Officer*

Thank you, Robert, and good morning everyone. Privia Health continued to execute very well across all aspects of our business through the second quarter of 2025, which positions us very well for success for the remainder of the year and into 2026.

This morning, I'll summarize our second quarter performance, and David will discuss our market presence, financial results and 2025 guidance before we take your questions. Privia Health has continued to execute at a very high level across different economic, regulatory and healthcare cycles. This is a testament to our differentiated business model and our consistent operational execution across varying environments.

We delivered strong new provider signings across all of our markets in the first half, which underpins our visibility through 2025 and into next year. Implemented provider growth of 13.8% and value-based lives attribution growth of 15.2% year over year helped drive total practice collections growth of 18.5% in the second quarter.

Adjusted EBITDA increased 31.6%, with EBITDA margin as a percentage of care margin expanding 310 basis points while we continue to invest in growth and expansion. Our first-half results were driven by the outstanding performance of all of our provider partners and operating teams amidst a very challenging healthcare services and payer environment.

This strong first half gives us the confidence to raise our 2025 outlook to above the high end of our initial guidance ranges for practice collections, GAAP revenue, platform contribution and adjusted EBITDA, and to the high end for the remaining metrics.

Privia's model combines unique aspects of medical groups, risk-bearing entities, and a technology and services platform. The physician practices we partner with are an integral part of our medical groups. This allows Privia to be deeply embedded in the workflows of the practices with a common physician-led governance structure.

Our ability to earn highly predictable fees for our technology and services platform gives us a very stable and recurring earnings profile. This stable earnings stream, coupled with shared savings and care management fees across a broad spectrum of value-based care arrangements, has allowed us to deliver very consistent financial performance across different environments.

This model offers an unmatched value proposition to payers of healthcare and community-based providers as well as the patients they serve, creating a business and economic moat that is very hard to replicate. Privia's consistent growth and profitability across cycles, over the past eight years is the ultimate proof of the strength of our differentiated business and economic model, and consistent execution year after year.

We expect Privia's integrated medical group, risk bearing entity, and tech and services platform model to continue to drive sustainable compounding of growth and profitability for years to come.

Now, I'll ask David to review our market position, recent financial results, balance sheet strength and our updated 2025 guidance outlook in more detail.

David Mountcastle - Privia Health Group Inc - Executive Vice President and Chief Financial Officer

Thank you, Parth. The Privia Health footprint of community-based medical groups and risk entities now comprises 5,125 implemented providers caring for over 5.3 million patients in more than 1,300 care center locations operating across 15 states and the District of Columbia.

Our balanced and diversified value-based care organization now serves 1.38 million attributed lives across over 100 commercial and government value-based care programs. Total attributed lives at June 30 increased 15.2% from a year ago. This was broadly driven by new provider growth across programs and our entry into Arizona.

Commercial attributed lives increased 13.8% from last year to reach 843,000. Lives attributed to the CMS Medicare programs were up almost 15%. Medicare Advantage and Medicaid attribution increased more than 13% and 31%, respectively, from a year ago.

The diversification of Privia's value-based care contracts gives us confidence in our ability to build scale and profitability with no dependence on any one particular contract or program. Given the continued challenges facing Medicare Advantage and Medicaid payers, Privia will remain highly focused on generating positive contribution margin in our value-based contracts as we pursue attribution growth, manage risk, and implement clinical and operational enhancements in our partner practices.

Privia Health's strong operational execution and growth continued through the second quarter. Implemented Providers grew 254 sequentially from Q1 to reach 5,125 at June 30, an increase of 13.8% year over year. Implemented provider growth along with strong ambulatory utilization trends and value-based performance led to practice collections increasing 18.5% from Q2 a year ago to reach \$862.9 million.

Adjusted EBITDA, which is reconciled to GAAP net income in the appendix, increased 31.6% over the second quarter last year to reach \$29 million, representing 25.2% of care margin. This is a 310 basis point margin improvement as we generated operating leverage across both cost of platform and G&A, while investing across all markets.

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For the first half of 2025, practice collections increased 15.7% to \$1.66 billion. Care margin was up 13.2%, and adjusted EBITDA grew 33.3% to reach \$55.9 million. We ended the second quarter with more than \$390 million in cash and no debt, which is after deploying \$95 million in April for the IMS transaction to enter Arizona.

Consistent with past years, we expect to receive a significant portion of our shared savings cash payments in the second half of the year. Assuming no further deployment of capital for business development, we expect to end the year with more than \$450 million in cash. Our healthy balance sheet continues to position us with significant financial flexibility to deploy capital and take advantage of opportunities in the current market environment.

We raised full-year 2025 guidance to above the high end of the initial ranges for practice collections, GAAP revenue, platform contribution and adjusted EBITDA. Driving this positive outlook is our strong first-half performance across all markets, implemented provider growth and solid ambulatory utilization trends, and performance across our value-based contracts. This provides us with excellent visibility into next year.

We continue to maintain a robust pipeline of existing market expansion and potential new market opportunities. As a reminder, our guidance does not assume any additional business development activity. Finally, we continue to expect more than 80% of full-year adjusted EBITDA to convert to free cash flow given our capital-light operating model.

As Privia continues to build large scale, primary care-centric care delivery networks across the nation, we would like to thank all our physician partners and employees for their continued dedication and hard work to help us achieve these results.

Operator, we are now ready to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Elizabeth Anderson, Evercore ISI.

Elizabeth Anderson - Evercore Inc - Analyst

Hi, good morning, guys. Congrats on the quarter and thanks for the question. What I thought was a notable standout this quarter was you obviously had very strong performance while many of your peers across payers and others have seen a bunch more challenges.

What do you think is sort of misunderstood here in terms of the investor landscape because obviously your stock has gotten hit a little bit quarter to date on I think the read-throughs, but I'm not sure that those are correct. So like, there's something that's sort of underappreciated here from the investor perspective, that you would call out.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer

Yeah. Thanks for the question, Elizabeth. Great first question to get. I think we have a little bit of an identity crisis, still speaking about a

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business model in the fifth year of being a public company. But I guess to your point, it's a sign of times in the fair physician enablement provider landscape.

I think if you look at our results on slide 6, and the consistency of those results. I think it's obvious that the bedrock of our financial performance over the years is a very simple concept that we get paid a very recurring predictable fees for providing a tech and services platform to all of our practices. That's a very consistent stable earnings stream, as we mentioned in our prepared remarks.

That economic model is no different. That any tech company, you could think of a company like Toast, that provides a platform for restaurants. You could think about a credit card company like Visa or Mastercard that takes a fee off the top of every single transaction, and not that I would like to ever compare doctors to cab drivers, but think about Uber, Lyft, where they get paid on every single passenger ride.

So as long as there are patients who want to visit a doctor's practice that is deploying a Privia tech and services platform. That engine works for us across our 1,300 care center locations that have over 5,000 providers that see over 5 million patients every day of the week. Some patients come in and we get that fees. It is very consistent over any economic, regulatory, whatever's happening in the healthcare environment cycle. I mean that's a simple payment stream.

I think if you then see how we organize these providers into our medical group entities, they are being credentialed in those medical groups. They are led by a common governance structure. I think that's very important and underappreciated because we effectively go in and change the engine of the car back to my analogy with Uber and Lyft, we changed the chassis, the UberX converts to a premium SUV.

And they are paid a higher 10%, 20%, 30%, 40% higher fees for every encounter. And Privia has taken a piece of that every day of the week, and I think it's a model where you cannot switch between Uber and Lyft with the flip of an app.

And it speaks to the resilience of the model where it's very hard to leave once you join our medical groups and you've seen our 98% gross provider retention that has been very consistent over the years on a net basis, our retention is over 100% as we grow these practices same store.

And then the final component is the risk bearing entities and that's probably the. The only piece that is very comparable to other value-based entities, but we do things differently in three ways. Number one, we've consciously diversified the whole value-based book across all lines of business, any patients between commercial and government programs. That is underappreciated because I think there's a lot of offsetting as one program performs, the other doesn't.

I think number two, we've managed risk really well over the years in three ways. We don't take risk on costs where we cannot control those costs. So think about Part D. Number two, we share risk with both the payers and the doctors. I think that's a fundamental difference where we believe that aligns interests and over time leads to better outcomes.

And then number three, I think we are paid differently. Our healthcare economic team does a great job of making sure that our contracts are structured, so we are paid for the value we deliver. We try to get a care management fees, which is again, an annuity, a monthly payment on every life in whichever programs we can get, no different than how Netflix gets its fees every month for providing services.

I think in healthcare you can have a lot of altruistic goals about any -- serving any particular patient population, but if you're not getting paid by the payer, you're not going to have a viable economic model. So I think those are the three components that come together for us to deliver this kind of consistent growth, and I think that's just underappreciated, but the results speak for themselves at the end of the day.

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Elizabeth Anderson - *Evercore Inc - Analyst*

Thanks.

Operator

Richard Close, Canaccord Genuity.

Richard Close - *Canaccord Genuity Corp - Analyst*

Yes, thanks. Good morning. Congratulations on the second quarter, first half, and updated guidance here. Just looking at the guidance, it contemplates a step down in the second half. So just curious what you're seeing that would drive that. And then any thoughts with respect to utilization trends that's baked into the second half of the year for you.

Parth Mehrotra - *Privia Health Group Inc - Chief Executive Officer*

Yeah. Thanks for the question, Richard. So as you noted, we've really not had a second half that has been lower than our first half over the past many years. I think that's why we've raised guidance to above the high end.

I think it's prudent in this environment. We get a lot of shared savings through ups in the third quarter, including MSSP results. I think as a starting point if you double our first half numbers, that's a good starting point for the second half, and then, once we get all the value-based care payments, we'll update the guidance next quarter.

But in this environment, I think we're just being prudent, but it gives us a lot of confidence to be above the high end, but we chose not to give a specific higher end range for those reasons, but there's nothing that we see, that should tell us, given all the data we've got from payers and different value-based programs, given the trends we see in utilization, strength of our FIFA service book.

All the sales momentum we've had in the first half, that translates into good practice collections in the second half or next year, all of those point in the right direction, and then we'll just update guidance specifically at the end of Q3.

Richard Close - *Canaccord Genuity Corp - Analyst*

Great. Thank you.

Operator

Jailendra Singh, Truist Securities.

Jailendra Singh - *Truist Securities - Analyst*

Thank you, and good morning everyone. So I was wondering if you can talk a little bit more about your pipeline of providers. Clearly some of your peers who have been more focused on full risk capitation have struggled, health insurance companies are facing their own

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challenges, and we'll see how that flows through provider reimbursement. And then we have all this macro and regulatory uncertainty.

Considering all that, have you seen your conversation with providers shifting in any ways in recent months? Are you seeing more urgency on their part? Are you seeing any change in how they think of value-based care? And related to that from your perspective, is this environment having any impact on your approach, like in terms of getting more aggressive than you have been in the past?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer

Yeah. Thanks for the question, Jailendra. So broadly speaking, the answer is yes to a lot of your questions. I think we are seeing a lot of momentum. The sales team has had a great first half of the year that follows from a very strong 2024, so last 18 months for all the reasons you've mentioned, I think our model, our value proposition across the entire patient population for any practice across any specialty, any location. I think it's resonating really well.

The fact that we can add value to these practices in how they run the practice, how efficient they get, can they increase their earnings stream across all lines of business is also resonating. So we've had a record first half where we've sold more providers than we ever have in the history of the company.

And we continue to be very aggressive. I think the doctor business is one where decisions are made a little bit slowly and it's a little bit sticky, but I think the tailwind will be persistent for us for a very long time for all the factors you mentioned, other companies not doing well, our value for opposition resonating, the payers needing a partner like us that can truly drive value.

Ultimately, care is delivered in the communities in a very low-cost setting, in medical groups like ours, and I think the value proposition is very strong. So we feel really good about the momentum this year going into next year, and just the compounding of this business in a very thoughtful model that we just outlined.

Operator

Josh Raskin, Nephron Research.

Josh Raskin - Nephron Research - Analyst

Hi, thanks. Just a quick clarification. First, I think you said Medicaid value-based care lives were up 31%. I've seen the slides those are 100% upside only. So can you talk about those arrangements? Are you producing surplus there are those based on quality metrics and then maybe what segment of Medicaid? And then my real question is just how are you guys using AI on the platform now? Maybe what areas are provider partners most interested in?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer

Yeah. Thanks, Josh. So sequentially, if you look at, Medicaid lives grew about 15,000 round numbers from 100,000 to 115,000 that was mainly driven by organic growth across all of our markets, but then also notably as we as we entered Arizona. And again in the Medicaid book, as you rightly noted, we don't take any downside risk.

We are trying to contract with payers where if we can add value to these practices and manage these lives and have some upside shared savings, we get a piece of it with no downside for all the reasons you know about that program, very volatile, very hard to deliver a lot of value without getting paid for it.

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And so that's been our position in Medicaid, but I think our platform allows our physicians to handhold these lives in a much better way than just plain fee for service Medicaid. And so we think it's a great program to be in. We get paid a little bit for the value we add, and we're happy not to take any downside risk given all the structural issues with that program and what the payers are seeing, as you well know.

And then to your second question, look, we've been using machine learning, AI bots for many years, across our entire workflow. So, our teams, our technology team and operations team. Look at the entire fee for service workflow and then the value-based care workflows and revenue cycle was an area where a lot of the innovation happened over the past few years, whether it's getting paid faster, whether it's reducing administrative burden so on and so forth.

But I think some of the new investments we've made work with companies like Navina are all on the clinical side that drive application of AI into the clinical workflow for value-based arrangements where we have identified suspect medical conditions, where at the point of care physicians are getting prompted to make sure, if a patient shows up over a certain age with certain comorbidities, taking certain medications to check for other conditions that might be persistent based on data sets that are expanding over time, our data set data from the payers ultimately hopefully there'll be a national data set that we could rely on to.

So those are the areas in the clinical workflow, a lot of innovation happening in the scribing world. We've tried different scribe solutions over the years, but with AI-driven scribing solutions, I think that's another area where documentation is getting better, getting faster.

And it all leads to reducing the burden for the doctors ultimately, and better clinical outcomes, better coding for the patients in a very compliant manner. So those are the areas we're focused on and partnering with many companies in that space as they innovate.

Operator

Andrew Mok, Barclays.

Andrew Mok - Barclays - Analyst

Hi, good morning. It looks like shared savings revenue came in meaningfully better than expectations. Can you provide more detail on what drove the beat in the quarter and how much flowed through the care margin. Thanks.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer

Yeah. Thanks, Andrew. I think it was pretty across the board. We followed a very consistent methodology as we get data across all of our value-based contracts, commercial MA, MSSP, Medicaid. So there's no one particular contract that we can point to. I think given how well we manage risk, how well our operating teams have executed on the ground day to day, we've been very mindful of the Environment we've been operating in over the past 24 months. I think we're very well ahead of the curve in understanding all the pressures that have come from utilization trends, V28, star score changes, so on and so forth.

And so we've been very, very conscious on what data we get, how we get it, when we get it, how we act on it, how we contract, and I think you're seeing the benefits of all of that consciousness over the past 24, 36 months and how we performed.

So I think it was pretty much across the board, and so that's what you've reflected. And then that directly translates, you've seen our results in the last six to eight quarters where we've got very good flow through all the way down to care margin down to EBITDA and that's the

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beauty of the operating and the economic structure that we have.

You've seen EBITDA as a percentage of care margin consistently increase quarter by quarter and then year over year, we're well on our track to get to 25% as a percentage of care margin, a long-term trajectory of targets for 30% to 35%.

I think we'll be there in the next few years, so the business is not only growing and has a lot of momentum, I think we're expanding margins as we perform well and we hopefully try to continue to do that. But it's tough sledding. I mean this is a grinding day to day business and so I think we'll just keep at it.

Operator

AJ Rice, UBS.

AJ Rice - UBS - Analyst

Hi everybody. I might just ask you about the recent proposed physician fee schedule rule does seem to have some focus on adjusting to prioritize office-based and primary care physicians maybe relative to facility-based and specialists. What are the implications of that for your business, how much of your business gets impacted by that and give us any thoughts on any opportunities that might present.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer

Yeah. Thanks, AJ. So broadly speaking, I think it's a net positive. I mean, we're glad that it's been recognized that community-based physician practice reimbursement needs to keep up with inflationary factors, relative to the healthcare ecosystem.

This is still the lowest cost setting, first line of contact for anybody in the family. This is where care gets delivered and directed when something shows up with any family member. So I think we're just glad that, that's been recognized. I think it's going to be a net positive. You'll see that affiliate through over time.

In our Medicare book is similar to the populations we serve in different states. So ultimately, it varies 15% to 20%, 25% given the state as to what percentage of the panel is our Medicare lives. And so I think it's a net positive overall for our physician practices and for our results ultimately.

Operator

Matthew Gillmor, KeyBanc.

Matthew Gillmor - KeyBanc Capital Markets Inc - Equity Analyst

Hey, thanks for the question. I wanted to ask about the G&A expense. It moved up from \$18 million to \$22 million in the second quarter. You're still driving great operating leverage even with that increase. Is there anything to call out in terms of what drove that? I know the business is performing well, so maybe some incentive comp. You also mentioned some ongoing investments in the growth, but just curious if there are any details to share on that.

David Mountcastle - Privia Health Group Inc - Executive Vice President and Chief Financial Officer

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Yeah. I mean, I think you may have sort of sort of answered at least part of your question. Yeah, it's just some increase, as the company continues to perform better, it increases some of our bonus accruals and as we continue to grow in the markets and increase some of our contractor expenses out there. So nothing really to call out, again we see a lot of leverage still in G&A.

Operator

Matt Shea, Needham.

Matt Shea - Needham & Company - Analyst

Hey, good morning. Thanks for taking the question and congrats on the strong results here. Nice to see the strength and implemented providers collections, any markets to call out that have been particularly strong in terms of provider ads or performance and then maybe be good to get an update some of your more tenured markets. Are you still seeing plenty of runway for both, or how are you balancing the opportunity to go deeper in existing, geographies versus lean in the most [newer market]?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer

Yeah, thanks for the question, Matt. So for the first half, part of your question, I think it was pretty broad based, quarter over quarter there's always variability in which markets, where we add providers and where the sales team sells, but if you take a rolling approach over four, six, eight quarters, we see growth pretty much broad based across all of our states.

I mean, our model is pretty similar and our strategy is very similar once we enter a state. The idea is to go build density county by county, zip code by zip code, so the sales teams out there. You do see a snowballing effect in this business where once we establish ourselves for the first couple of years, three years, and get some providers and they start to perform better, all of our metrics improve, referrals improve at the top of the funnel, conversion rates improve, cost of acquisition goes down.

Overall as a company our payback period is now less than a year. LTV to CAC is assuming a doctor stays with us or a practice stays with us even for 10 years, and the results are actually better than that because the attrition has been very low. So LTV to CAC is well over 10x.

So all of our metrics are doing really well, and they've been consistent over the past two or three years here as we've gained all the momentum. And lower the cost of acquisition pretty meaningfully. And I think in the established markets, we are seeing a lot of late adopters. We still -- the market with the most density, we're still at about 10% of TAM, so there's a lot of leg room, headwind for us to go get a lot of TAM even in mature markets we are having some of the best sales years in some of our more established markets.

It goes back to the question Jailendra asked where we are performing so well in markets. We've been present for 10 years like mid-Atlantic, where a lot of late adopters are now coming back to us, which we've already had a discussion with over the past many years. Just given the strength, consistency, and some of the disruption there is in the markets with other companies. So I think it's a great momentum to have a good position to be in overall.

Operator

Ryan Daniels, William Blair.

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Ryan Daniels - *William Blair Capital Partners - Analyst*

Yeah, good morning. Thanks for taking the question. Parth one for you on the other side of the demand, which is from the payers. You talked a little bit about some success growing Medicaid, and I'm curious, all the stress that they're under, and you no longer have as many value-based care enablers out there just taking on capitated risk and doing full risk with no risk to the providers, et cetera.

I'm curious if that's opening up actually more opportunities for you to negotiate with balanced model with Medicare Advantage with Medicaid to get those recurring fees, given that the marketplace on a capitated basis is kind of shying away. Is that opening up more opportunity for you? Thanks.

Parth Mehrotra - *Privia Health Group Inc - Chief Executive Officer*

Yeah, thanks for the question, Ryan. It's a very good observation. Our payer contracting team has done a fantastic job over the last many years in getting us to this position across all lines of business, managing risk, how we present Privia's, value prop to the payers.

I think we now have a very good track record. We can point to case studies on how we've gone in and worked with the players across pretty much the entire book. So the discussions we have, as you can imagine, are multifaceted. We're just not walking in and saying give us an MA contract and carve out this or that.

I mean that happens for any one particular contract, but most times we are going and having a discussion on the commercial book. How do we do commercial value-based care given the density we have, what value can we add with different cohorts of populations, can we get paid care management fees if they are -- if there's a Medicaid book, we like to have a similar conversation.

Now we don't take risk where we cannot control risk. We like to share the upside with the payers. I think we've been stating that fundamentally over the past many years. We just think this notion of full risk downstream is not sustainable. It could work in a few geographies, but over time for us consistent model, you need to share risk with doctors. You need to share risk with payers, and then share it both upside and downside.

And I think that has led us to having pretty good conversations whereas the payers look at us as a very stable growth business that can build density and achieve results for them that impacts ultimately their MLR as well.

I think they're getting more forward leaning with us as we enter new geographies, and then we don't need to have the same repeatable conversations because we have case studies to point out in other states. So I think -- but again, the healthcare business is where you're grinding it out by state, by contract, everybody's running their own P&Ls. And you've got to prove yourself.

But I think the success that we've had obviously helps us in opening those doors and having those conversations and replicating what has worked for the payer and us in another state in some new states. So hopefully, that just adds to the momentum that we have.

Operator

Ryan Langston, TD Cowen.

Ryan Langston - *TD Cowen - Analyst*

Great, thanks. Good morning. Can you just give us a sense of how the IMS integration is progressing and if you still expect that to be a creative this year? And typically I think fourth quarter EBITDA does a little bit lighter than 3Q last year was a little different. So I guess just

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taking into account IMS, any reason to not expect typical seasonality in the second half. Thanks.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer

Yeah, thanks for the question. So integration is going well. I mean, we acquired the medical group entity. So as we noted last quarter, we recognize practice collections and GAAP revenue from the date of the acquisition. They'll get implemented on a platform in Q3 at some point and so Q4 onwards there'll be contribution at the care margin and EBITDA level.

So all that continues to go well it's no different than, other anchor groups that we've implemented over time. So we have a pretty consistent methodology. And then as far as the second question is concerned, yeah, I don't think you should expect any different seasonality over the course of this year. It ties back to the earlier question on, we don't see any reason why the second half should be weaker than the first half.

Obviously, we have the impact of the IMS Arizona entry that we factored into our guidance, but overall, we should expect similar seasonality.

David Mountcastle - Privia Health Group Inc - Executive Vice President and Chief Financial Officer

Yeah. And the only thing I'll add is we do continue to expect positive EBITDA from IMS in Q4. So that is still our expectation.

Operator

David Larsen, BTIG.

Jenny Shen - BTIG LLC - Analyst

Hi, this is Jenny Shen on for Dave Larsen. Thanks for taking my question and congrats on a great quarter. I was just wondering your thoughts on the new Big Beautiful Bill, if that has any impact on Privia at all, what impact do you think it might have potentially on Medicaid or maybe Medicare membership? Thanks.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer

Thanks for the question, Jenny. So I think you pointed out, the main thing we're looking at is the impact on the Medicaid attribution or enrollees, and then some of the recent pressures in the exchange business that the payers are facing.

Overall, we don't think it's a big impact. I mean, Medicaid and exchange are pretty low single digit percentage of our book overall. Usually these patients, as we've seen in the past when we've had some redetermination effects in the market, they actually show up in other programs, so either self-insured or commercial; it's not like patients stop going to their primary care doctor or pediatricians or OB-GYNs... the first point of contact if they're feeling something. So we actually capture a lot of the lives elsewhere if there's some disruption. And ironically, as far as the exchange business is concerned, that has a discounted fee schedule so if the lives show up in self-insured or other programs, we actually get paid -- and our doctors get paid at least a higher fee rate for encounter, so there's a little bit of a net positive.

So I don't think we'll see a major impact of the bill overall. We'll just see how the population shifts in those segments. Hopefully, we'll capture them elsewhere and then the final point is our practices are working pretty much at capacity, so there's a lot of pent up demand where

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even if you lose a few patients, the practices have a lot of demand to get their patient panels back up pretty quickly. In fact, there's a waiting list in many cases, so we'll see how it all plays out, but it's all factored in our guidance.

Operator

Jessica Tassan, Piper Sandler.

Jessica Tassan - Piper Sandler - Analyst

Hi guys, thanks for taking the question. Just to follow up on and congrats on the quarter. To follow up on the commentary just about pent up demand, maybe can you tell us what you're seeing in terms of utilization types of service and by payer type.

So like Medicare commercial Medicaid, would you call out any categories or trends that feel unusual or elevated and if you're able to give us kind of a view of MSSP market wide or fee for service trend, that would be wonderful. Thanks.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer

Thanks for the question, Jess. Overall, we've been pretty consistent in our observation and the data we are seeing very strong ambulatory utilization, which is good for us across all lines as patients come and see their primary care doctors or the first gatekeeper provider. We are seeing downstream elevated trends. A lot of the payers have talked about it. I mean, it's not like we see anything different in our value-based book and you just have to manage through that.

So I think that's the case. I mean, it's not a complicated answer. It's not like any one area jumps out. I mean there are obviously some nuances by geography, by specialty, but overall, we've been trying to manage through that trend line over the past many quarters now two, three years ago, starting when we came out of the COVID period -- post-COVID, I think the historical data sets were just depressed for obvious reasons. And we've positioned the business, trying to navigate or operate in a new normal utilization trend level across all lines and you're seeing that in our results.

Operator

Jeff Garro, Stephens.

Jeff Garro - Stephens Inc - Equity Analyst

Good morning. Thanks for taking the question. I wanted to follow up a little bit on business development trends. What are you most excited about if we try to separate business development into a couple of different categories like new markets versus density in existing markets or independent provider practices versus health system affiliated practices? And I know these agreements are complicated and take time, but curious if there's been any change in seller expectations for catalyst pushing deals further through the pipeline. Thanks.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer

Thanks for the question, Jeff. So broadly speaking, I think we see a lot of momentum, and we are pursuing aggressively both existing market density and entering new markets, so there's no trade off or we're not capacity constrained on either or.

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So I think we talked pretty good length about the sales team and its performance in existing states, getting the density, getting that snowball effect going, and I think we're seeing a lot of momentum there. I think we are getting to see all the transactions that are there given our size, our balance sheet strength in a lot of the new states, banker led, or otherwise, I think we have a lot of visibility in the marketplace as a very stable, solid performer.

A lot of practices want to partner with us. Their existing relationships may or may not be working. The value proposition that they have from them -- from those may be pretty narrow. So we've now encountered many situations where a physician practice partnered with another value-based enablement entity, and they are looking to partner with us on the entire book of business including providing capital if it's a new state where we are acquiring their [tax ID] or value-based entity or the MSO entity or whatever the case might be.

So I think we're seeing a lot of momentum and I think their hopefully expectations are much more reasonable. I think the shakeout continues to happen in the space. I think it's great that at least for us that, private equity or other buyers that were there chasing the space. There's obviously they're taking a much more cautious approach given just the performance of some of these companies or entities or exit strategies.

So I think we become a natural consolidator over time and I think we'll just be very judicious as we've noted before, we are EBITDA free cash flow buyers and we're going to stick to our model and hopefully get reasonable prices for some of these assets. So we'll just keep executing on that on that strategy.

Operator

Daniel Grosslight, Citi.

Daniel Grosslight - Citi - Analyst

Hi guys, thanks for taking the question and congrats on the strong quarter here. You've consistently outperformed this year and it seems like many of these trends are secular in nature combined with your differentiated model and ability to manage risk. So as we think about 2026. Is there anything that that worries you, and in particular, should we think about continuing to operate kind of above that 20% EBITDA growth target on an organic basis? Thanks.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer

Thanks for the question, Dan. So I think we've understood this environment for a few years now. You saw us exit the MA Capitation book that we had or change those contracts to be much more balanced at the beginning of '24, well ahead of the curve.

We positioned the business to operate in this environment and we don't expect the environment to change. I think the payers will adjust their pricing across different lines of business as they see the trends. I think that ultimately bodes well for downstream provider entities taking risks, as some normalcy happens where people were chasing growth and attribution, giving away benefits, adverse selection of population cohorts, all the impact from V28 star scores.

Everything that you've all noted. In different research reports as you covered those sectors. So I think overall our strategy is going to be very consistent. I think we are very mindful of, I'll go back to the answer I gave the beginning of the call on if you have to do value-based care by program, by cohort, you have to be very mindful that you're getting paid for the value you deliver. So that leads you to, that leads us to be very conscious on which pools of spend do we take risk on? How do we share the risk with the payer, with the doctor?

How do we get paid some consistent per member per month fees in care management fees for delivering that value, which is not tied to

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any outcomes but allows us to spend the money. In building that chassis to manage some of these programs.

In healthcare and in this business, there's a very easy policy trap where you want to serve a particular patient population and go take risk and do all the good work, but it's very easy not to get paid for it, and that leads to misaligned incentives and really bad outcomes. If you backstop risk for the doctors and it's a heads you win tails you never lose deal that comes back to bite you if something bad happens. You're seeing that in the results of other companies. So we have been very cautious and mindful, but we think we have a sustainable model.

So to get back to your question, we don't see any major difference in how we think we will perform next year. It's a very predictable model. We think, given the momentum we've had in sales in VD in our performance. In all the data we see across our value-based arrangements that we will continue to target 20% EBITDA growth into '26.

All the momentum this year really helps us. I mean, we'll see what happens beyond that, but I think our results speak to itself. I mean, you look at slide 6 at the beginning of '24 when we got out of some of those capitated arrangements.

At the end of '23 we ended the business at about \$72 million EBITDA, and we're looking at a four-year period. When we said look we're going to grow EBITDA 20% annually where we are starting in the face of all of these headwinds that I just mentioned, and we're like look, if that means 20% growth over four years from starting 2024 means you're going to double EBITDA in four years round numbers.

We've been exceeding that expectation, so we grew over 20% in '24, '25, given our guidance, we're going to grow over 20%. So we just don't see that momentum backing down. So I think it just speaks again to the strength and differentiation of our business model.

Operator

Jack Slevin, Jefferies.

Jack Slevin - Jefferies LLC - Equity Analyst

Hey, good morning. Thanks for the question. Dan already been asked, so I'll just jump in with maybe a little broader one. Just want to think about how your conversations with health system clients or potential health system clients are developing.

Obviously, health systems broadly facing some of the biggest headwinds they've seen in a long time in terms of [OBBA and the EAPTC] is rolling off and now you know even some discussions around whether or not pharma can horse trade 340B for some form of MFN or pricing. Just curious if that's driving increased interest or if you're noticing any change in health system BD conversations. Thanks.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer

Yeah, thanks for the question, Jack. So I mean we have three health system partners today in Florida, North Carolina, and Ohio, and we've had many discussions in many other states over the years. Look, I think they understand the value proposition that Privia brings, which is namely to have a chassis to work with practices that would like to stay autonomous and independent.

But yet be aligned with them in a particular way, whether it's the same tax ID or the tech platform or value-based arrangements and so health systems have -- they think about the world in concentric circles. Doctors that they employ, doctors that are affiliated to them in a much more closely aligned way, doctors that are affiliated in a much lighter manner, and then those that are independent across the geographies.

So I think Privia can really help with the last two buckets for them, and I think some health systems realize that that's a core competence that don't have. And they partner with us and that's what's led to our arrangements in North Carolina with Novant, with OhioHealth in Ohio, with Health First in Florida.

But I don't think we are for everybody because, obviously there's an inherent difference in the business model, inherent difference in their strategy and what they would like to achieve and do themselves. So if some health systems want to pursue those strategies on their own, that's totally fine, and we operate independently of them in many different geographies like we do. I mean we have health systems in -- big health systems in all of our geographies.

I think we are a very unique alternative to a viable alternative now to doctors coming out of residency and there's a big push that they actually see that there's a viable path to. Joining an independent practice or starting their own practice, versus just being employed by the health system, that's another strategy we're pursuing really aggressively.

And then we'll see shifts over time. So what worked 10 years ago is not going to work today, may not work in 5 years, and I think you'll see that play out. I mean this is a business where incentives have to be aligned and strategy has to be aligned and if those shift ultimately, our goal is to keep pursuing our business model, serve our doctors, serve our medical groups, and ultimately our shareholders.

So we'll keep looking for opportunities where if there's a good match with the health system, we'll go partner with them. And if not, you've seen our model work independently, so I don't think we are reliant on the health system strategy to grow this business and if and when an opportunity comes, we'll be happy to partner with somebody.

Operator

Michael Ha, Baird.

Olivia Miles - Baird - Analyst

Hi, this is Olivia Miles on for Michael Ha. Thanks for taking the question. In addition to recent elevated pressures that some of your large BDC peers are facing. ACO reach risk corridors are being narrowed into next year.

Are you seeing this dynamic catalyze any new prospective physician partner relationships for Privia? We wanted to better understand if there's anything else you would call out with this recent change in the competitive landscape. Thank you.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer

Yeah, thanks for the question, Olivia. That's a great question actually. So I think you're right. I think with the recent proposed changes to reach the GAAP that was there from an economic perspective has narrowed between REAC and MSSP enhanced track.

And I think CMS is trying to rightly so, make the programs a little bit more consistent. I mean, at the end of the day it's the same 65 year-plus old Medicare beneficiary that is that can be in one or the other program. There's not much meaningful difference in the type of life you're getting there. That you have to manage the cost.

So I think that ultimately bodes well for us. We've evaluated reach as we've noted in previous calls in different geographies every year. You can participate in one or the other. You can't have the same life in both programs for obvious reasons.

So but I think as that economic outcomes narrow, I think it gives us a lot of opportunities to speak to physician practices that may have partnered with somebody on ACO REAC and I think there's going to be much less difference between whether those lives are now moved to an MSSP enhanced track, and I think that bodes well for our model.

I mean we could have a reach program in any of our states, so I think we evaluate that too. But I think, the MSSP programs just work really well for us given the scale we have and so I think that leads to good tailwinds as we can go target some of these practices that may have partnered with somebody else.

Operator

Tao Qiu, Macquarie.

Tao Qiu - *Macquarie Research Ltd - Analyst*

Thank you. Good morning. CMS recently published the proposed rule of MSSP for 2026. I think one of the biggest changes was the acceleration of the timeline to transition to higher risk arrangement. So when you look at your MSSP portfolio, how does that change your operating and risk management strategy on existing ACO entities that are still in the basic track?

And then broadly as government seeks more savings from Medicare, spending, how do you think it will affect the competitive landscape in the MSSP program? And would that constitute the tailwind for your MSSP growth? Thank you.

Parth Mehrotra - *Privia Health Group Inc - Chief Executive Officer*

Yeah, thanks for the question, Tao. So broadly speaking, it doesn't change our strategy. I mean, we participate in the MSSP program to move to the enhanced track as quickly as we can. We're not interested in remaining in basic tracks. Because ultimately, that's where the proof of the pudding is and that's where the economics make it very attractive as long as you're able to do the job and manage the population really well.

So across our different ACOs you've seen over the years, our objective is to build enough density in the program, get established, and then move to enhanced track as quickly as we can. So that strategy doesn't change.

I think it may force other non-performing ACOs to take a call if they're going to stay in the program or move to enhanced track and if you're not performing that can give us some tailwinds where we could go get those lives or go get those groups. So I think it ties to the previous question. I think all of these changes.

Given the scale at which we operate and how well we have done and executed and the programs we have in the place, the tech stack we have in the place, the way we underwrite these programs and work day to day with our physician practices to manage total cost of care, I think it bodes well for high performing groups like ours to continue to do well.

Operator

Craig Jones, Bank of America.

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Craig Jones - Bank of America - Analyst

Great. Thanks for the question, guys. So I wanted to follow up on the platform analogy you gave earlier on the car. So you said you go in, you implement the platform, change the car to an SUV, and everyone gets paid more. So I was wondering if you could give us some guideposts for how much the platform can improve partners' margins quickly when you implement it, and then how much maybe it can improve margins over time. Thanks.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer

Yeah, thanks for the question, Craig. Congrats on your new job, by the way, and thanks for waiting in line here. Yeah, so I think, we've said this in previous calls or as we went public. I mean, we have a pretty demonstrated ROI to our practices from each of each of these different components that you mentioned.

So usually there's expense savings because they've stitched together their own tech stack and try to do everything themselves in a pretty unsophisticated manner before they partner with us, that is usually more costly than what we are that we are charging. Secondly, they get that enhanced payer contracts on the FFA service book that that gives a value proposition day one. Number three, is usually we see 10% to 20% productivity lift. Because the physicians are not now spending time dealing with technology, dealing with fair contracts, having much more efficient workflows across both people service and value-based care, and that 10% to 20% extra time they can choose to improve the quality of their lives or they could see one or two new patients or more a day.

Then there's enhanced revenue that comes in because a lot of these practices didn't participate in some value-based program across all of the patient panels. So all of that leads to a value proposition that actually grows over time.

There's an impact in the first 6 months, 12 months, 18 months. Then you get into value-based arrangements, then you get into more risk contracts where there's more upside if you're performing well, and that just adds to the value prop.

And then we are on top of that. Not only improving that particular car that operates as a premier SUV, but the same driver doctor can add another car or add other drivers to their business. I mean, these are small businesses that we are helping grow at the end of the day.

And that's another value proposition where you know our practice consultant team and operating teams in each market work with these practices to grow the book and their business on the same store basis very meaningfully.

So we've had practices, we've had case studies in the past that we've shared publicly where we've doubled the size of some of the practices that have been with us 7, 10 years, from a top line and a bottom line perspective, and that's just an unmatched value proposition all while the physicians are running their practices in an autonomous manner.

They're not employed or guaranteed by some other entity. We're just making them run their business very efficiently, and that leads to our, very high retention rates, NPS scores, and then the overall business model just hums.

So I think that's a pretty comprehensive value proposition that again. As I mentioned right up front, it's an economic and a business mode. It's very hard to replicate and it helps us perform very well over time.

Operator

That includes the question-and-answer session. I would like to turn the call back over to the management team for closing remarks.

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Parth Mehrotra - *Privia Health Group Inc - Chief Executive Officer*

Thank you for listening to our call today. We appreciate your continued interest and look forward to discussing our performance next quarter.

Operator

Ladies and gentlemen, that concludes today's call. Thank you all for joining and you may now disconnect.

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